



MEDICARE EXPERIENCE SUPPORTS SINGLE-PAYER APPROACH TO CONNECTICUT'S HEALTH CARE INITIATIVE

INSURANCE & REAL ESTATE COMMITTEE Public Hearing – Senate Bill No. 1371

March 6, 2007

The Center for Medicare Advocacy, Inc. (The Center) is a private, non-profit organization headquartered in Mansfield, Connecticut with offices in Washington, DC and throughout the nation. The Center provides education and legal assistance to advance fair access to Medicare and health care. We represent Medicare beneficiaries throughout the state, respond to approximately 7,000 calls and emails annually, and host two websites. The Center also provides written and electronic materials, education, and expert support for Connecticut's CHOICES health insurance, counseling and assistance program, and provides a vast array of other services for Medicare beneficiaries throughout Connecticut and the United States.

On behalf of the Center for Medicare Advocacy, I speak today in favor of Senate Bill 1371. This Bill would create a state-administered, single-payer health care system in Connecticut. For over 20 years the Center has studied Medicare, our only national health insurance system, and represented the interests of beneficiaries throughout the state and nation. During these 20 years we have responded on behalf of Medicare's elderly and disabled beneficiaries to myriad proposed and actual changes to the Medicare system. As a consequence, the Center is in a unique position to comment on the effects of privatization on the health care delivery system. We have first hand experience assisting beneficiaries to navigate the recent effects of Medicare's privatization efforts,

specifically with the Part D prescription drug program and the highly-subsidized Medicare Advantage (MA) managed care systems. We are also able to track enrollees' levels of satisfaction with traditional Medicare as compared with the privatized aspects of Medicare. Based on this experience, we think a state-administered single payer system, as proposed by Senate Bill 1371, is the only responsible way to ensure health care coverage for all of Connecticut's citizens.

The traditional Medicare program continues to garner widespread support from beneficiaries and their advocates. Further, our experience, in addition to government, academic, and other private studies, demonstrates that privatization has led to greater costs and less stable coverage than the traditional Medicare program.¹ In 1965, when Medicare was enacted, 50% of all people 65 years of age or older had no health insurance; now over 93% have coverage for both inpatient, physician, and community-based health care. Private health insurance failed this population, Medicare met their needs.

Clearly this experience with Medicare should guide Connecticut to resist privatization as it develops a plan to provide stable, cost-effective health coverage. A single-payer health insurance program, modeled on traditional Medicare, would provide significant, affordable coverage for Connecticut and its uninsured and underinsured citizens - while saving massive administrative and marketing expenses and minimizing plan complexity.

The administrative savings created by the single-payer traditional Medicare system, as opposed to private sector offerings, and even compared to other delivery models, such as the Federal Employee Health Benefits Program (FEHBP), are great. Simply put, private insurance plans have not demonstrated a value-added advantage over the traditional Medicare model, and

¹ Congressional Budget Office, *Budget Options*, 2/23/2007, <http://mirror1.cbo.gov/ftpdocs/78xx/doc7821/02-23-BudgetOptions.pdf>; Brian Biles, Md, *Payment to Medicare Advantage Plans Exceed Fee-For-Service Costs: Options for Medicare Savings from 2007-2011*, George Washington University (9/15/2006); Families USA, *Medicare Privatization: Windfall for Special Interests* (10/2006).

private plans will not yield a more favorable system in Connecticut as compared to a single-payer system's inherent, cost-effective advantages.

Medicare's overhead is approximately 3% of its total cost. Non-profit private insurers' overhead runs roughly 16% of cost, and investor-owned carriers' overhead runs about 26%. Adjusting for Medicare's sheer size, it spends about one-half per enrollee as compared to the FEHBP. Clearly, the administrative advantages of a single-payer, health care system are both obvious and demonstrable. This should be the model that Connecticut follows in its effort to achieve health care for all.

The government oversight set out in Section 3 of the Senate Bill 1371 offers the citizens of this state quality, affordability and access. For over 40 years traditional Medicare has operated with these vital characteristics, which have allowed it to continue successfully as a social insurance program. These cornerstone elements of the Medicare program are essentially mirrored in Bill 1371; they deserve to be replicated for Connecticut's uninsured population.

As demonstrated by the expensive experiments with privatizing Medicare, Connecticut should reject the illusion of greater efficiency and value in private sector initiatives as compared to a "government-run" program. As noted, private insurance plans incur much greater administrative costs than traditional Medicare and fail to provide stable coverage for all. Recently, in an effort to shift more Medicare beneficiaries into the private sector, it has been widely reported that the federal government pays private Medicare Advantage plans somewhere between 12% to 17% more per enrollee as compared to those enrolled in traditional Medicare. In addition, studies show that MA plans, as with privatization generally, are risk averse and enroll healthier beneficiaries. Factoring this, overpayments can run up to 25% more than traditional Medicare. Yet beneficiaries participating in MA have seen their out-of-pocket expenses rise between \$200 and \$400 per year,

every year, between 1999 and 2003. (See footnote 1.) For these reasons alone, the Medicare Advantage private system is not a model that Connecticut should duplicate.

Across the country, popular support for a single payer insurance program is growing. Indeed, as reported last week in the *New York Times*, polls show that Americans are willing to spend between \$200 and \$500 extra per year in taxes to ensure health care for all. Thus, the Legislature is correct to take up this important issue.

Historically, Connecticut has been a leader in tending to the health care needs of its lower income, elderly, and disabled citizens. The ConnPACE program and the Medicare Part D “wrap-around” law, that supplements the federal prescription drug program for eligible citizens, have proven to ensure quality care to those who need it most. The federal government, in its deliberations regarding universal health care initiatives, has stated that it will be looking to the States to develop the best ways to deliver health care for all. Thus far, those states that have instituted some form of universal health care have been unable to resist the pressures of privatization. All of these states, including our neighbors, have met with grave predictions and well-publicized challenges from private interests. Yet, in those states that have looked to private industry to develop plans, the promises and assurances of broad, affordable coverage have not materialized.

Reliance on private industry for the delivery of health care is anti-democratic. These markets discriminate against the less affluent and able. In privately funded health insurance schemes, an essential government service passes from government bodies to private corporations. This has grave consequences for health care delivery, as well as for individual due process rights. These rights should not be at the whim of major economic and corporate interests. Rather, stability, government oversight, and accountability are necessary - and are at the heart of single-payer health care for all.

Senate Bill 1371, with its robust government oversight, meets these needs. It would entrust to a newly established *Connecticut Saves Health Care Commission* the responsibility of assuring

quality, affordable, and accessible health care to all citizens. The Bill's approach would also save money, provide secure health coverage, and create a variety of other opportunities for our state that would not exist if a private system is chosen instead. Connecticut should not begin this important step toward providing health coverage beholden to private interests. We should avoid the negative coverage consequences and higher costs of privatization that have befallen the long-time, successful Medicare program.

A visionary public health policy dictates valuing essential human rights and fiscal responsibility over private industry interests. With this in mind, and in light of Medicare's experience with privatization, Connecticut should continue its role as a leader in meeting the health care coverage needs of its people. Senate Bill 1371 moves us toward an efficient, effective, single-payer health care system. The Center for Medicare Advocacy enthusiastically supports this Bill.

Respectfully submitted,

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